



Beibu Gulf fields, China



Maari field, New Zealand

HORIZON OIL LIMITED / ABN 51 009 799 455

2017 Annual Results Presentation



Papua New Guinea

29 August 2017

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The reserve and resource information contained in this announcement is based on information contained in the 2017 Reserves & Resources Statement which was compiled by Alan Fernie (General Manager – Exploration and Development). Mr Fernie (B.Sc), who is a member of AAPG, has more than 38 years relevant experience within the industry and consents to the information in the form and context in which it appears.

All dollars in the presentation are United States dollars unless otherwise noted.

Financial year 2017 results - highlights



- **Oil sales** volumes 3% **higher** than FY 2016 at 1,421,940 barrels, generating **revenue of US\$68.5 million**
- Average **cash operating cost down 21%** to US\$11 per barrel of oil sold, driven by further cost savings in response to lower oil prices and a reduction in tariffs applying to Beibu Gulf production
- **Net operating cash flow** from oil sales after operating expense **of US\$51.7 million**, in line with FY 2016; forecast to average US\$50 - 60 million pa out to calendar 2022
- Continuing disciplined control over administrative and capital expenditures
- **Free cash flow breakeven cost over FY 2017 of US\$32/barrel** (incl tax, interest and all capex)
- **Net debt reduced to US\$108.5 million** (from US\$131.9 million at 30 June 2016)
- Beibu Gulf and Maari fields continuing to produce steadily at combined rate of approximately 4,000 bopd net to Horizon Oil, with remaining cost recovery production entitlement in Beibu Gulf equivalent to US\$89.6 million
- **Good progress made on planning for Western LNG development project in Papua New Guinea** with main project elements now in pre-FEED; acreage position strengthened and 2C resource materially increased as a result of strategic acquisitions

Operational results



HSSE	Lost Time Injury Frequency Rate (LTIFR) of 0.0 , Total Reportable Injury Frequency Rate (TRIFR) of 0.0 at 30 June 2017 over a 12 month rolling period (~85,000 manhours).
	No significant loss of containment incidents (<1 barrel of oil equivalent).
China	Continued strong production from Beibu Gulf averaging 8,150 bopd gross over the year (HZN share including cost recovery 3,020 bopd) with 3.0 mmbo gross produced (1.1 mmbo net to HZN).
	During the year the Company continued to benefit from the entitlement to preferential recovery and recorded a production entitlement of approximately 37% of field production for the year (net working interest share of 26.95%).
	Horizon Oil's remaining entitlement to cost recovery oil at 30 June 2017 was US\$89.6 million.
New Zealand	Average production over the year of 8,300 bopd (830 bopd net to HZN), with 3.0 mmbo gross produced (0.3 mmbo net to HZN).
	Production impacted by field maintenance and repair shutdown in late November 2016. Production recommenced in early January 2017 with the Company expecting to recover a portion of repair costs through insurance.
Papua New Guinea	Horizon Oil has successfully concluded a series of transactions (in part subject to customary Government approvals) which ensure that it now holds interests in each of the appraised gas fields comprising the proposed Western LNG gas aggregation and LNG project.
	Formal approval by the PNG Conservation and Environment Protection Authority of the PRL 21 Elevala/Tingu and Ketu development environmental impact statement.
	Horizon Oil is now strategically positioned to advance the 1.5 mtpa Western LNG project (WLNG) through its material 28% interest in the aggregate gas-condensate resource supplying the project and operatorship of the core Elevala/Tingu and Ketu fields.

Financial overview



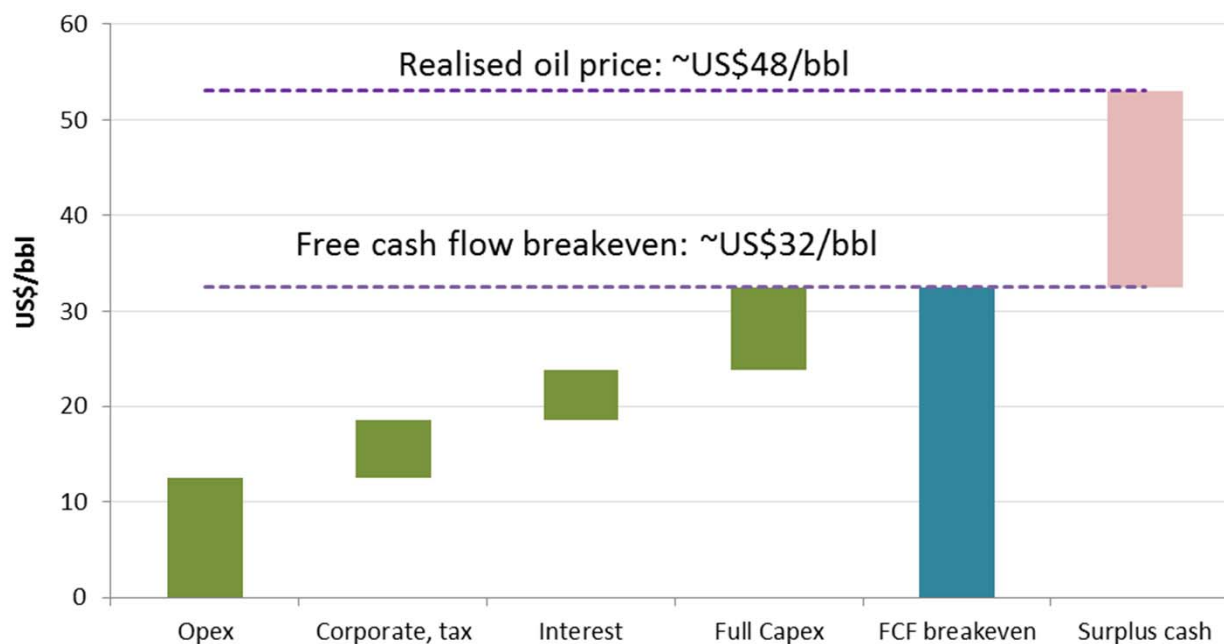
(US\$ million)	FY 2017	FY 2016	Δ	Δ (%)
Sales volume (mmbbl)	1.42	1.38	0.05	↑ 3%
Revenue	68.5	76.0	(7.5)	↓ (10%)
<i>Sales revenue</i>	<i>68.0</i>	<i>56.5</i>	<i>11.5</i>	<i>↑ 20%</i>
<i>Hedging revenue</i>	<i>0.5</i>	<i>19.5</i>	<i>(19.0)</i>	<i>↓ (97%)</i>
Cost of sales (incl. amort.)	43.8	60.2	(16.4)	↑ (27%)
EBITDAX*	45.2	54.0	(8.8)	↓ (16%)
Profit before tax	4.2	(149.7)	153.9	↑ 103%
Net operating cashflow**	51.7	52.2	(0.5)	↓ (1%)
Capex	8.5	24.5	(16.0)	↑ (65%)
Net debt	108.5	131.9	(23.4)	↑ (18%)
Closing cash	24.5	16.1	8.5	↑ 53%

- Strong sales volumes maintained
- Benefit from cost recovery oil to be derived over next 4 years is an escalating US dollar amount and not affected by oil price
- Robust and stable EBITDAX, taking into account material hedge gains (~US\$19.5 million) in FY 2016
- Low capex profile will be maintained over the course of FY 2018
- Net debt reduced by US\$23.4 million with existing debt maturity profile extended

*Note - EBITDAX is a financial measure which is not prescribed by Australian Accounting Standards and represent the profit under Australian Accounting Standards adjusted for interest expense, taxation expense, depreciation, amortisation, and exploration expenditure (including non-cash impairments)

**Note – Net operating cash flow after opex, incl hedging and excl extraordinary

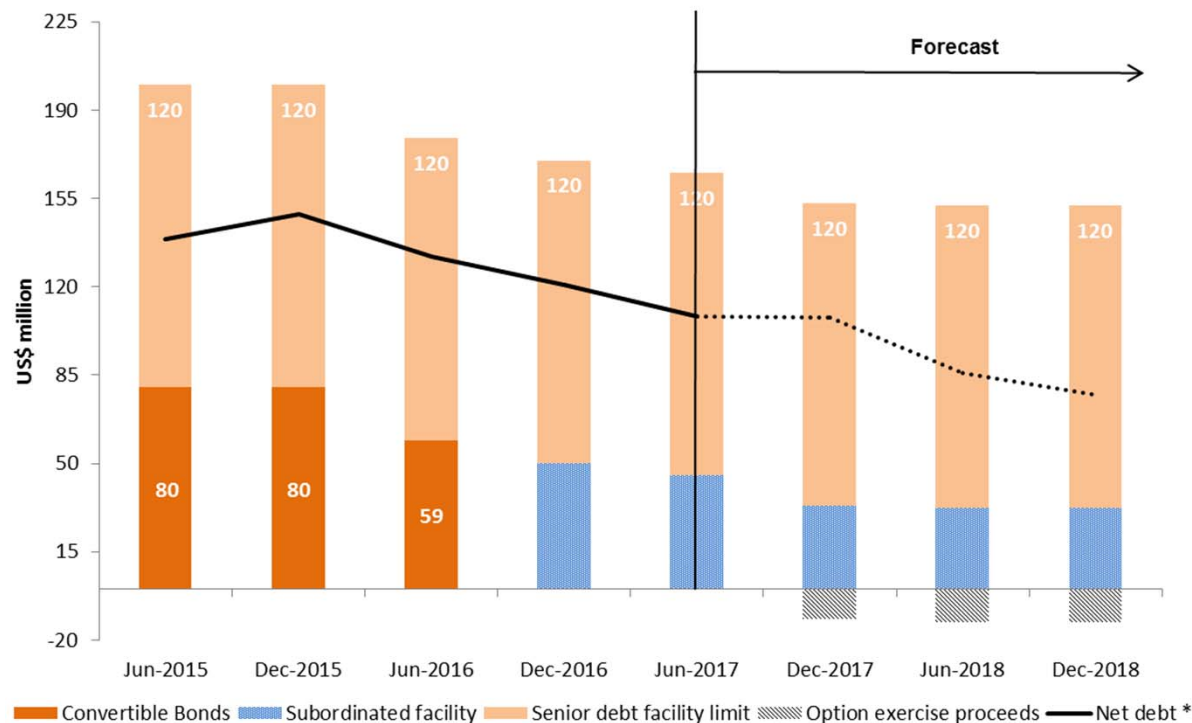
FY 2017 free cash flow (FCF) breakeven of US\$32/bbl provides capacity for debt repayment



- Continued focus on cost reduction and low opex in China drives down the breakeven price
- Low breakeven price provides stability in low oil price environment and capacity for debt repayment
- FCF breakeven expected to remain at current level through FY 2018

**Note – FCF breakeven includes the full capex and excludes impact of hedges*

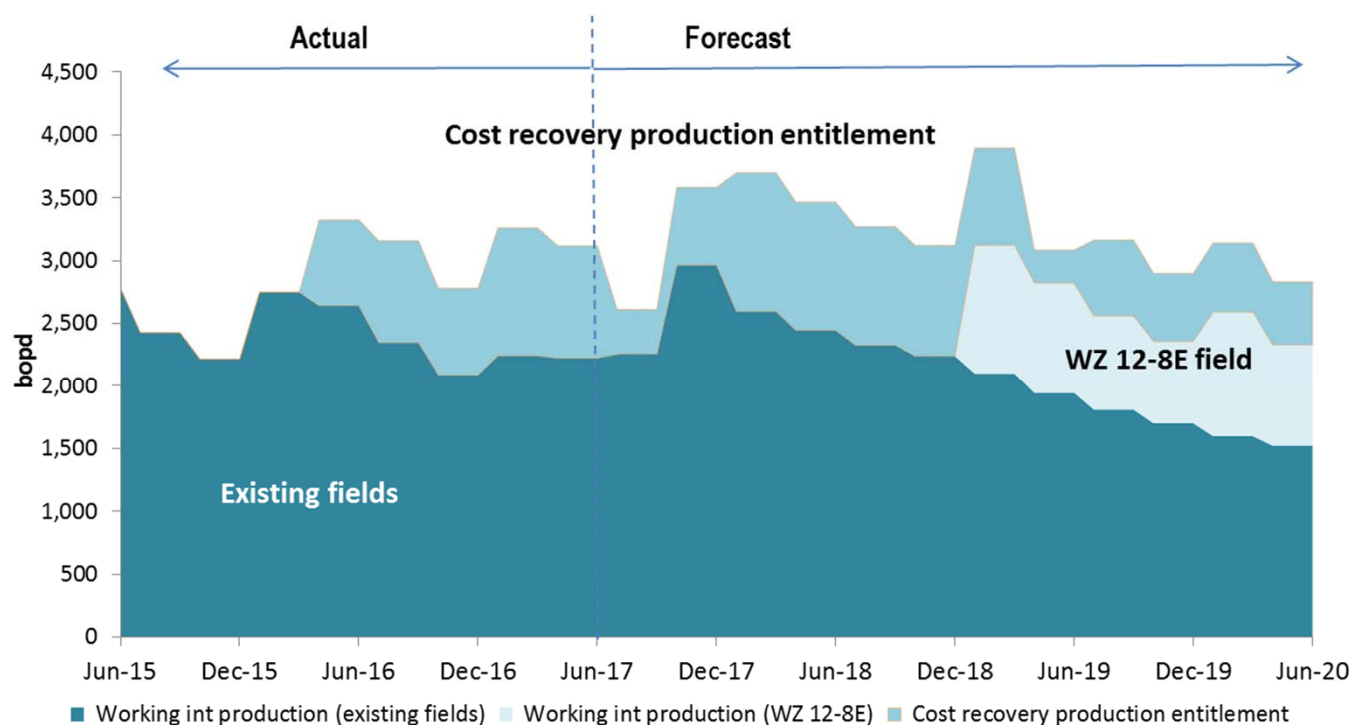
Continued debt reduction in low oil price environment



- Horizon Oil's proven, developed and producing Beibu Gulf and Maari fields provide substantial debt security in a challenging environment for small and mid-cap companies to access debt
- The Company refinanced the outstanding US\$58.8 million convertible bonds with cash and a 5 year non-amortising subordinated debt facility of US\$50 million
- Horizon Oil commenced repayment of the subordinated debt facility through a voluntary prepayment of US\$5 million in 2H 2017
- Net debt reduced to US\$108.5 million at 30 June 2017, with US\$24.5 million cash on hand

**Note: Factoring in proceeds from option attached to the subordinated facility (US\$14 million) reduces the net debt to US\$94 million at 30 June 2017*

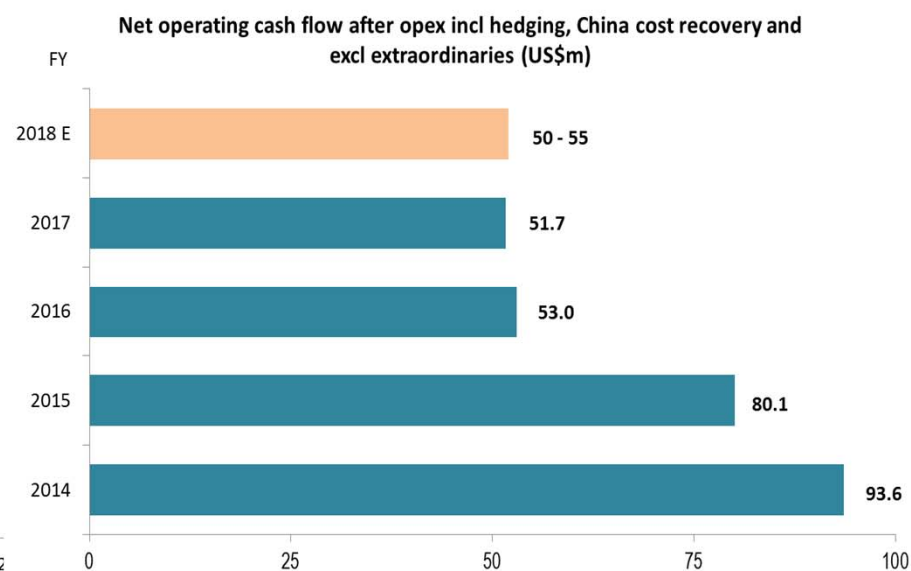
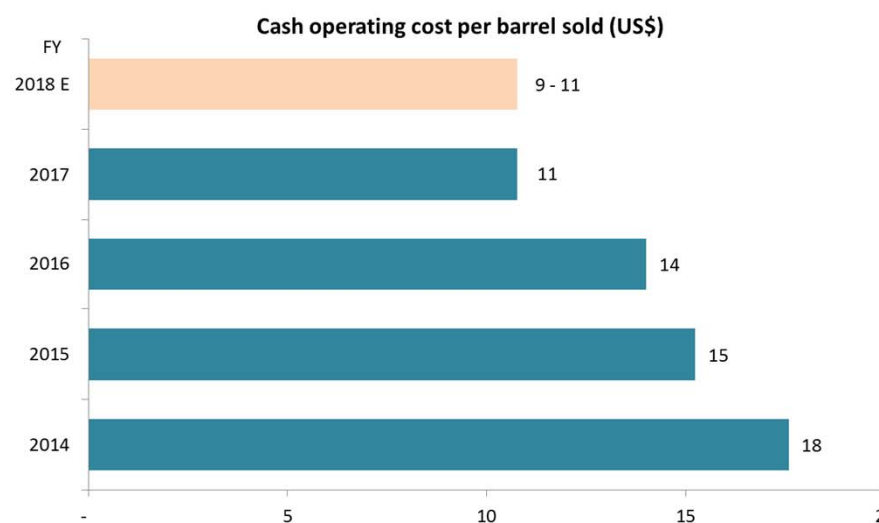
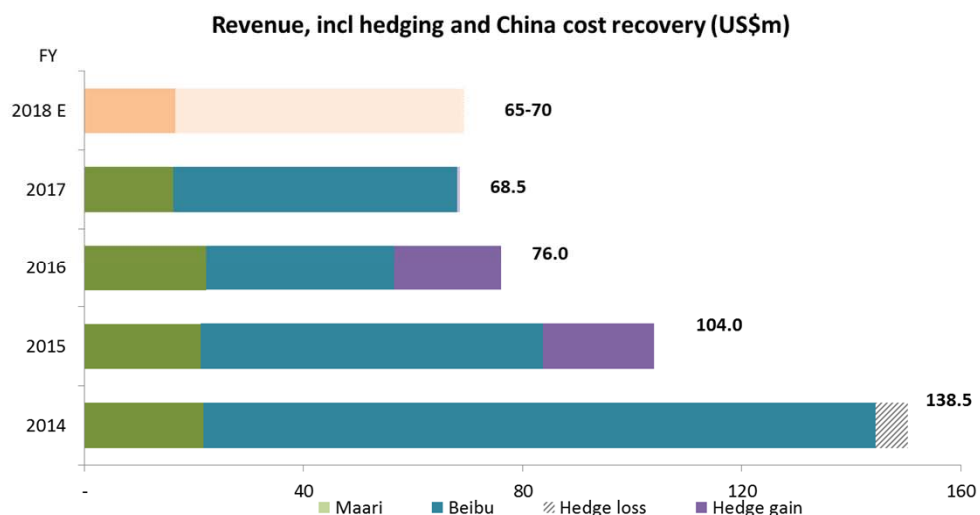
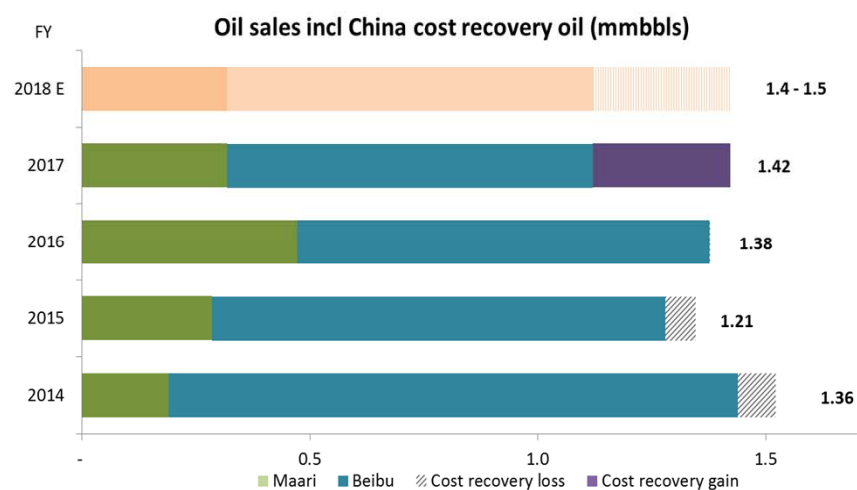
Block 22/12 production and cost recovery is driving cash generation



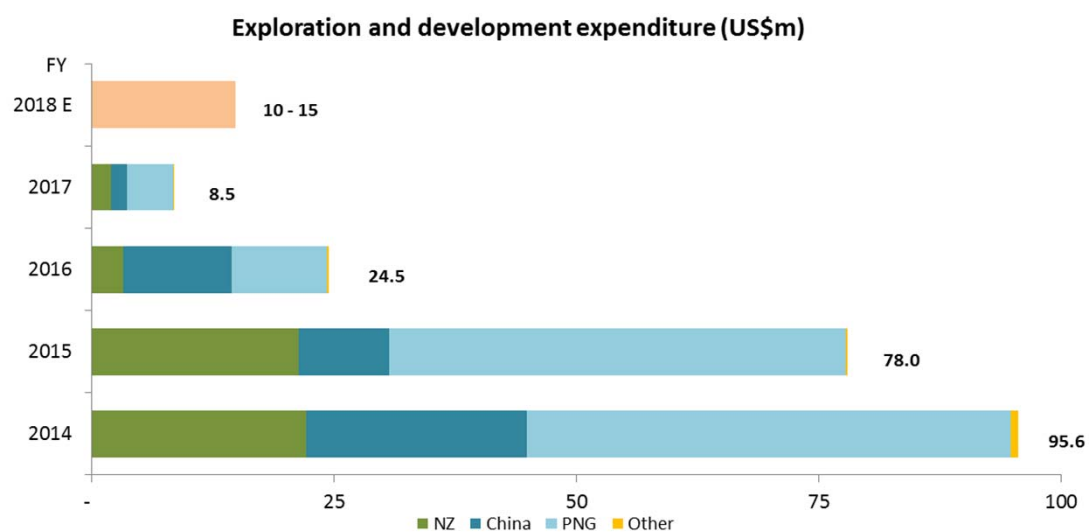
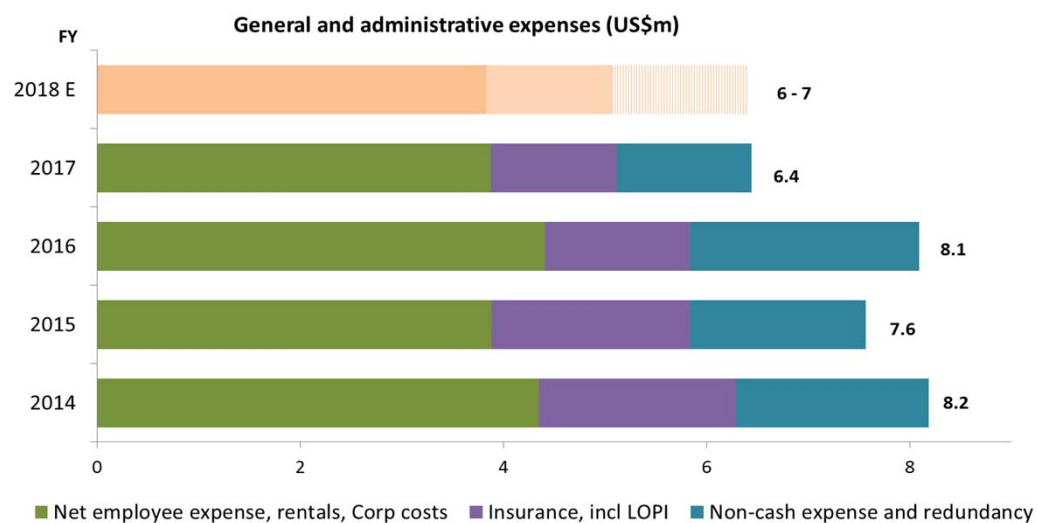
- Horizon Oil's Block 22/12 production entitlement increased from 26.95% to ~37% of production, following the commencement of its entitlement to preferential cost recovery in 2016
- The company's unrecovered cost recovery balance at 30 June 2017 was US\$89.6 million, escalating at 9% pa

Note: Forecast cost recovery based on Brent forward curve as at 8 August 2017 and production forecasts included in Independent Technical Specialists' Report (RISC) – April 2017

Five year performance (1)



Five year performance (2)



Outlook for financial year 2018



Financial

- **Operating cash flows to continue at current levels** as a result of continuing steady production at Maari and Beibu Gulf fields, including cost recovery production entitlement and ongoing control of operating costs
- **Continued focus on debt reduction**
- Continuing policy of **oil price hedging**: ~46% of next 9 months 2P production hedged **at an average price of ~US\$54/bbl**
- **Maintenance of low capex profile** and administrative expenditure over the course of FY 2018

Block 22/12, offshore China

- Completion of the Overall Development Plan and Final Investment Decision for the **WZ 12-8E** field development expected in FY 2018, **with first oil expected in early calendar 2019**
- Workover and infill drilling within the existing fields planned, with additional two wells to increase production

Maari/Manaia, offshore New Zealand

- **Further optimisation of oil production** through workover program and installation of multiphase pumps
- Finalise insurance recoveries in relation to facility and FPSO *Raroa* repairs (total net repair costs ~US\$6.5 million, with expected recovery of about half that amount)

PDL 10 (Stanley), PRL 21 (Eleva/Ketu), PRL 28 (Ubuntu) and PRL 40 (Puk Puk/Douglas), Papua New Guinea

- **Progress the development concept for the Western Province gas aggregation and mid-scale LNG project (WLNG)** to Basis of Design and FEED (front-end-engineering and design) stage

Western LNG project, PNG – key points



- Preliminary project economics are attractive, with 20+ year plateau production for 2C gas resource and economics strengthened by significant condensate production.
- 520 km gas and condensate pipelines will connect western foreland fields, containing appraised resources of 2.0 - 2.5 tcf gas and 60 - 70 million barrels of condensate, to a 1.5 mtpa (sales capacity) floating liquefaction facility to be located offshore Daru Island.
- Pre-FEED contractors currently engaged on main project elements – upstream processing, pipelines and FLNG – with target completion end 2017. Target Basis of Design and FEED in 2018/19 and FID in 2019.
- Horizon Oil owns interests in all fields that will comprise the gas aggregation, equivalent to 28% of the total resource. Repsol owns 41% and the two companies operate all licences.
- Development scheme primary focus is on LNG and condensate sales, but also contemplates gas sales into the domestic market at multiple outlets and LPG sales, with resultant benefits to landowners, communities, Western Province and the State.
- Western LNG to target rapidly growing markets in nearby Indonesian Archipelago, South China Sea Rim, China and India – these markets forecast to be under-supplied from early 2020s.

Horizon Oil (ASX:HZN) snapshot



- Sydney-based public company listed on Australian Securities Exchange (ASX)
- Portfolio of exploration, development and producing assets in Asia-Pacific region, with net production of ~4,000 bopd:
 - 26.95% interest in Beibu Gulf fields offshore China, producing ~3,200 bopd net (including cost recovery production)
 - 10% interest in Maari/Manaia fields offshore New Zealand, producing ~800 bopd net
 - Large gas and condensate resources onshore Papua New Guinea, with development plan firming
- Net operating cash flow after cash opex of US\$51.7m in FY 2017

- 2P reserves at end FY 2017* of 8 mmbo and 2C contingent resources of 29 mmbo and 603 bcf gas
- Beibu Gulf – remaining cost recovery oil entitlement at 30 June 2017 of US\$89.6m, escalating at 9% pa
- Milestone payment of US\$130m from Osaka Gas, payable on FID of LNG project in PNG

- At 30 June 2017:-

Cash on hand	US\$24.5m
Drawdown on US\$120m bank facility	US\$88.0m
Subordinated debt	US\$45.0m
Net debt	US\$108.5m

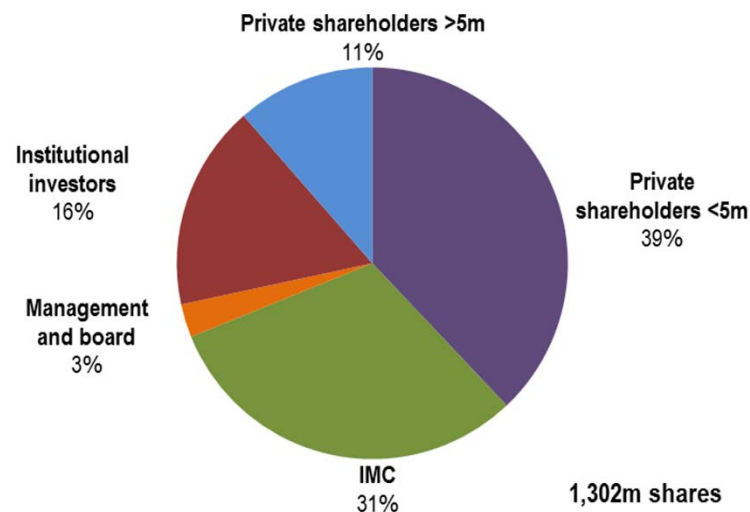


* Note: Includes PRL 40 resources, the subject of customary Government approvals

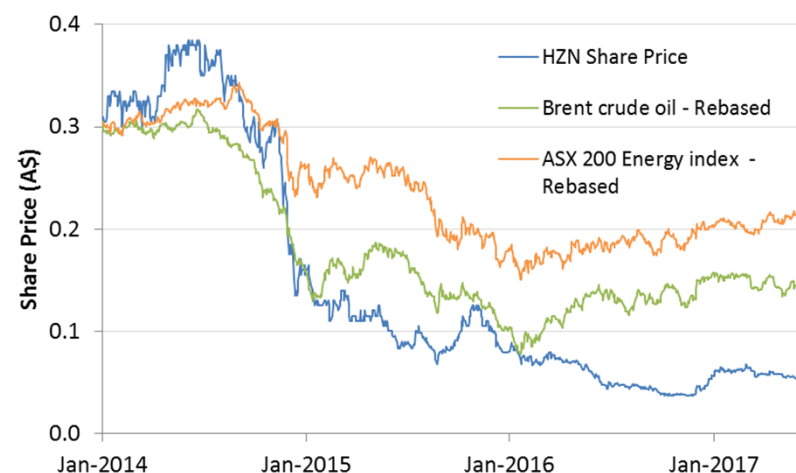
Corporate summary



Shareholders



Share Price vs Brent Crude vs ASX 200 Energy Index - Rebased



Board of Directors

John Humphrey	Chairman
Brent Emmett	Chief Executive Officer / Managing Director
Gerrit de Nys	Director
Andrew Stock	Director
Sandra Birkensleigh	Director
Greg Bittar	Director

Senior Management

Brent Emmett	Chief Executive Officer / Managing Director
Michael Sheridan	Chief Financial Officer / Company Secretary
Alan Fernie	General Manager – Exploration and Development

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ASX Listed	HZN
Fully Paid Shares	1,301,981,265
Employee Options	2,200,000 ¹
Share Appreciation Rights	82,028,310 ²
IMC Options	300,000,000 ³
Number of Shareholders	5,687
Market Capitalisation	A\$68m
Top 20 / Issued Capital	59.45%
12 Months	
Last (25 Aug 2017)	A\$0.052
High	A\$0.07
Low	A\$0.04
Volume	305m

¹ Options – issue price ranging from A\$0.20 - A\$0.43

² Share Appreciation Rights – exercise price ranging from A\$0.048 - A\$0.37

³ IMC Options – exercisable at A\$0.061 on or before 14 September 2021

* Company currently holds 1,500,000 forfeited partly paid shares on trust



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